

VII. ACTUARIAL COST PROJECTIONS

Section 201(c) of the Social Security Act requires that the Board of Trustees report annually to the Congress on the operations and status of the OASI and DI Trust Funds during the preceding fiscal year and on the expected operations and status of those trust funds during the ensuing 5 fiscal years. Such information for the fiscal year that ended September 30, 1981 is presented in the preceding section of this report. Estimates of the operations and status of the trust funds during fiscal years 1982-86 are presented in this section. Similar estimates for calendar years 1982-86 are also presented.

Section 201(c) also requires that the report include "a statement of the actuarial status of the trust funds." Such statements have customarily been made for the medium-range period (25 years) and the long-range period (75 years), each period commencing with the year of the issuance of the report. Statements of the current actuarial status are presented in this section. The methods used to estimate the actuarial status are described in Appendix A.

Basic to the discussion of the medium-range or long-range actuarial status of either trust fund is the concept of a "cost rate"—i.e., the cost (also referred to as outgo or disbursements) of the program as a percentage of taxable payroll. The outgo includes benefit payments, administrative expenses, net transfers under the financial interchange between the OASDI Trust Funds and the Railroad Retirement Account, and payments for vocational rehabilitation services for disabled beneficiaries. The taxable payroll consists of the total earnings which are subject to Social Security taxation, adjusted to reflect the lower effective tax rates (in comparison with the combined employee-employer rate) which apply to self-employment income, tips, and multiple-employer "excess wages." With this adjustment, the cost rate can be compared directly with the combined OASDI employee-employer tax rate scheduled in the law.

Over the medium-range and long-range periods, the actuarial status of the trust funds is often summarized by the actuarial balance, which is the difference between the average of the tax rates scheduled in the law and the estimated average cost rate. If the actuarial balance is positive, the system is said to have an actuarial surplus, and if negative, an actuarial deficit. Such a deficit, if it exists, is a warning that, unless the projected trends turn out to be too pessimistic, changes in the system will be needed to make it viable in the future.

The concept of actuarial balance must, however, be used with caution. The use of a single summary measure to describe the system over a fixed time span may mask an adverse pattern (or patterns) within that time frame or problems which emerge soon thereafter. The addition or deletion of years to the time span could change a surplus into a deficit or vice versa. In addition, while early deficits followed by later surpluses could result in a positive actuarial balance, the trust fund could be depleted before the annual surpluses occur. Thus, it is also important to note the year-by-year patterns of income and outgo, i.e., of tax rates and cost rates.

Related to the concept of actuarial balance is that of “close actuarial balance”. In recent years, the system has been said to be in “close actuarial balance” over the long-range period if, over that period, the average tax rate is within 5 percent of the estimated average cost rate (relatively, i.e., not 5 percentage points). This is equivalent to requiring that, over the long-range period, the average tax rate be between 95 and 105 percent of the estimated average cost rate.

There is general agreement that the OASDI system should be financed on the basis of a “current-cost” method, under which each year total income is intended to be approximately equal to total outgo plus an additional amount needed to maintain the trust funds at appropriate contingency-reserve levels. Under this financing method, the assets of the trust funds should not become too large (through continued annual surpluses), nor too small (through continued annual deficits). Although there is no general agreement regarding the appropriate size of either trust fund, the level of each fund should be large enough to allow time for legislative action to prevent its exhaustion during periods of continued annual deficits. When either trust fund is not large enough to serve this purpose, the immediate future financing of that fund—to be considered adequate—must provide for rebuilding the fund to such a level within a reasonable period of time without significant further decline in the interim.

The adequacy of either trust fund is often measured by the size of the “trust fund ratio”. This ratio is defined to be the assets at the beginning of the year expressed as a percentage of the outgo during the year. If the ratio for either trust fund falls below a level of about 12-14 percent, the probable inability of the fund to pay benefits when due becomes imminent. As a minimum test of the financial viability of the trust funds in the near term, the projected trust fund ratios should not fall below such a level, even under pessimistic assumptions. And, for the assets to be considered sufficient to ensure the timely payment of benefits in the short range, substantially higher levels are necessary.

Projections of income, outgo, cost rates, actuarial balances, and trust fund ratios are presented later in this section.

A. ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS

The future income and outgo of the OASDI system will depend upon many economic and demographic factors, including fertility, mortality, net immigration, marriage, divorce, labor force participation, unemployment, productivity, inflation, retirement patterns, and disability incidence and duration. The income will depend upon how these factors affect the size and composition of the working population and the general level of earnings. Similarly, the outgo will depend upon how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because the precise forecasting of the behavior of these various factors is impossible, projections are shown in this report on the basis of four sets of assumptions, designated as alternatives I, II-A, II-B, and III.

The two intermediate sets of assumptions, alternatives II-A and II-B share the same demographic assumptions but differ in their economic assumptions. Alternative II-A assumes future economic performance resembling that of the more robust recent economic expansions; alternative II-B assumes economic performance resembling less robust economic expansions. This type of presentation is made to illustrate the beneficial effect on the financial status of the trust funds of higher real-wage growth, higher employment, and lower inflation for any given set of demographic assumptions. In terms of the net effect on the status of the trust funds, alternative II-A is more optimistic than alternative II-B. Of all four alternatives, alternative I is the most optimistic and alternative III is the most pessimistic. Because economic performance recently has been particularly volatile and difficult to project, the range of future short-range economic performance delineated by these alternatives is wider than in previous reports. In particular, alternative III has been designed in the short range to portray very adverse economic conditions.

Although these sets of economic and demographic assumptions have been developed using the best available information currently known, the resulting cost projections should be interpreted with care. In particular, they are not intended to be exact predictions of the future status of the OASDI system (nor of the demography and economy of the country). Instead, they are intended to be indicators of the trend and range of future income and outgo. As such, they provide insights which are valuable in making OASDI policy decisions.

Economic assumptions

The economic assumptions in the four alternatives are summarized in Table 10.

TABLE 10.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS
1960-2060

Calendar year	Average annual percentage increase in—					
	Real GNP ¹	Average wages in covered employment	Consumer price index	Real-wage differential ² (percent)	Average annual interest rate ³ (percent)	Average annual unemployment rate ⁴ (percent)
Past experience:						
1960-64	4.0	3.4	1.3	2.1	3.7	5.7
1965-69	4.4	5.4	3.4	2.0	5.2	3.8
1970	-.2	4.9	5.9	-1.0	7.3	4.9
1971	3.4	4.9	4.3	.6	6.0	5.9
1972	5.7	7.3	3.3	4.0	5.9	5.6
1973	5.8	6.9	6.2	.7	6.6	4.9
1974	-.6	7.4	11.0	-3.6	7.5	5.6
1975	-1.1	6.6	9.1	-2.5	7.4	8.5
1976	5.4	⁸ 2.5	5.7	² 2.5	7.1	7.7
1977	5.5	⁸ 0.0	6.5	¹ 1.5	7.1	7.0
1978	4.8	⁸ 2.2	7.6	⁶ .6	8.2	6.0
1979	3.2	⁸ 8.8	11.4	² -2.6	9.1	5.8
1980	-.2	⁸ 6.6	13.5	⁴ -4.9	11.0	7.1
Alternative I:						
1981	² 1.1	8.8	10.3	-1.5	13.3	7.6
1982	1.1	8.2	6.3	1.9	12.7	8.6
1983	5.6	7.3	5.9	1.4	10.3	7.4
1984	5.4	7.5	4.6	2.9	7.8	6.5
1985	5.1	7.0	4.2	2.8	6.6	5.8
1986	4.8	6.7	3.8	2.9	6.0	5.4
1987	4.6	6.4	3.4	3.0	5.7	5.0
1988	4.4	6.1	3.0	3.1	5.6	4.8
1989	4.2	5.7	2.6	3.1	5.4	4.6
1990	4.0	5.2	2.2	3.0	5.3	4.3
1995	3.4	4.5	2.0	2.5	5.1	4.0
2000 & later	³ 3.5	4.5	2.0	2.5	5.1	4.0
Alternative II-A:						
1981	¹ 1.9	8.8	10.3	-1.5	13.3	7.6
19823	8.6	6.8	1.8	13.4	8.9
1983	5.2	6.3	6.0	.3	12.1	7.9
1984	5.0	5.6	4.6	1.0	10.8	7.1
1985	4.8	7.4	4.8	2.6	9.8	6.4
1986	4.4	7.3	4.6	2.7	8.2	5.8
1987	4.3	7.1	4.5	2.6	6.7	5.3
1988	4.1	7.1	4.3	2.8	6.4	5.2
1989	3.9	6.6	3.9	2.7	6.2	5.1
1990	3.7	6.0	3.5	2.5	6.0	5.0
1995	3.0	5.0	3.0	2.0	5.6	5.0
2000 & later	³ 3.1	5.0	3.0	2.0	5.6	5.0
Alternative II-B:						
1981	¹ 1.8	8.6	10.3	-1.7	13.3	7.6
1982	-.8	6.6	6.9	-.3	13.0	9.1
1983	4.2	8.1	7.9	-.2	11.4	8.5
1984	3.3	8.1	7.4	.7	9.3	8.0
1985	3.0	6.9	6.6	.3	8.0	7.7
1986	3.0	6.8	5.8	1.0	7.1	7.4
1987	3.0	6.6	5.5	1.1	6.8	7.1
1988	3.0	6.6	5.3	1.3	6.6	6.8
1989	3.0	6.4	4.9	1.5	6.5	6.4
1990	3.0	6.0	4.5	1.5	6.4	6.1
1995	2.5	5.5	4.0	1.5	6.1	5.0
2000 & later	² 2.6	5.5	4.0	1.5	6.1	5.0

TABLE 10.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960-2060 (Cont.)

Calendar year	Average annual percentage increase in—					
	Real GNP ¹	Average wages in covered employment	Consumer price index	Real-wage differential ² (percent)	Average annual interest rate ³ (percent)	Average annual unemployment rate ⁴ (percent)
Alternative III:						
1981.....	41.8	8.6	10.3	-1.7	13.3	7.6
1982.....	-1.5	6.3	7.2	-9	13.1	9.3
1983.....	.6	7.3	9.6	-2.3	12.3	9.8
1984.....	2.5	7.8	9.6	-1.8	10.5	9.6
1985.....	3.8	9.2	9.2	.0	9.4	8.8
1986.....	2.9	9.1	8.8	.3	8.8	8.4
1987.....	2.7	8.7	8.4	.3	8.3	8.0
1988.....	2.7	8.5	8.0	.5	8.1	7.7
1989.....	2.7	8.3	7.6	.7	7.8	7.3
1990.....	2.7	8.0	7.2	.8	7.6	6.9
1995.....	1.8	6.2	5.2	1.0	6.7	6.0
2000 & later.....	2.1	6.0	5.0	1.0	6.6	6.0

¹The real GNP (Gross National Product) is the total output of goods and services expressed in constant dollars.

²The difference between the percentage increase in average annual wages in covered employment and the percentage increase in the average annual CPI.

³The average of the interest rates determined in each of the 12 months of the year for special public-debt obligations issuable to the trust funds.

⁴The ultimate rates are adjusted by age and sex based on the total labor force aged 16 and over as of July 1, 1970. Rates shown for earlier years are civilian unemployment rates for those years.

⁵Preliminary.

⁶The actual value of the 1981 increase in real GNP was 2.0 percent. This value was not available at the time the cost estimates were prepared; the cost estimates were based on the assumed increases in real GNP shown under the four alternatives.

⁷This value is for the year 2000. The annual percentage increase in real GNP is assumed to continue to change after 2000 under each alternative to reflect the dependence of labor force growth on the size and age-sex distribution of the population. The percentage increases for 2060 are 3.4, 2.5, 2.1, and 1.0 for alternatives I, II-A, II-B, and III, respectively.

⁸The economic assumptions in alternative II-A for 1981-87 are identical to or derived from the assumptions underlying the President's 1983 Budget, with the exception of the assumed 1981 increases in the nominal wage and the real wage as well as the assumed 1982 increases in the real wage and the CPI, all of which have been adjusted to reflect actual experience available since the Budget assumptions were released.

All four alternatives assume that the economic decline during the fourth quarter of 1981 (as measured by the rate of change in real GNP) continues through the first half of 1982, with an upturn beginning in the middle of the year. The more optimistic alternatives include both smaller declines and stronger recoveries and, therefore, assumptions of higher real-GNP growth. More specifically, real GNP in 1982 is assumed to increase 1.1 percent above the 1981 level in alternative I and 0.3 percent in alternative II-A, while it is assumed to decrease 0.8 percent in alternative II-B and 1.5 percent in alternative III.

In both alternatives I and II-A, a strong economy is assumed in 1983, followed by continued and steady growth. In alternative II-B, the upturn is assumed to be long and slow by historical standards. In alternative III, it is assumed that the recovery will be aborted by a recession in the middle of 1983, followed by a more complete recovery commencing in 1984.

In alternative II-A, the annual rate of growth in real GNP is assumed to rise to 5.2 percent in 1983 and then gradually slow to 3.0 percent in 1995. At the same time, the average annual unemployment rate declines from its peak of 8.9 percent in 1982 to its ultimate of 5.0 percent in 1990. The annual rate of increase in average wages in covered employment is assumed to fall from 8.6 percent in 1982 to an ultimate rate of 5.0 percent in 1994, with an accompanying decline in the annual rate of increase in

the average CPI from its current level to an ultimate rate of 3.0 percent in 1992. The real-wage differential (i.e., the difference between annual rates of increase in the average wage and the average CPI) is assumed to reach a peak of 2.8 percent in 1988 before declining to its ultimate rate of 2.0 percent per year in 1994. The annual interest rate is assumed to reach its ultimate value of 5.6 percent in 1992.

In alternative II-B, the annual rate of growth in real GNP is assumed to rise to 4.2 percent in 1983 and then slow to 3.0 percent in 1985. At the same time, the average annual unemployment rate declines from its peak of 9.1 percent in 1982 to its ultimate of 5.0 percent in 1995. The annual rate of increase in average wages in covered employment is assumed to fall from 8.1 percent in 1984 to an ultimate rate of 5.5 percent in 1992, with an accompanying decline in the annual rate of increase in the average CPI from 7.9 percent in 1983 to an ultimate of 4.0 percent in 1992. The real-wage differential is assumed to reach an ultimate of 1.5 percent per year in 1992. The annual interest rate is assumed to reach its ultimate value of 6.1 percent in 1992.

It is convenient to discuss alternative I in comparison with alternative II-A, the more optimistic of the two intermediate alternatives. In each year, the assumed annual percentage increase in the real GNP in alternative I is higher. Consistent with this higher real GNP is an assumed average annual unemployment rate which in each year is lower, with the ultimate rate of 4.0 percent being 1 percentage point lower. In each year after 1984, the assumed annual percentage increase in the CPI is lower, with the ultimate of 2.0 percent being 1 percentage point lower. In each year, the assumed real-wage differential is higher, with the ultimate of 2.5 percent being 0.5 percentage points higher. The resulting ultimate annual rate of increase in average wages in covered employment is 4.5 percent, which is 0.5 percentage points lower. The ultimate interest rate of 5.1 percent is lower by 0.5 percentage points.

Similarly, it is convenient to discuss alternative III in comparison with alternative II-B, the more pessimistic of the two intermediate alternatives. In each year after 1985, the assumed annual percentage increase in the real GNP in alternative III is lower. Consistent with this lower real GNP is an average annual unemployment rate which in every year is higher, with the ultimate level of 6.0 percent being 1 percentage point higher. The assumed annual percentage increase in the CPI is higher in each year, with the ultimate of 5.0 percent being 1 percentage point higher. In every year, the assumed real-wage differential is lower, with the ultimate of 1.0 percent being 0.5 percentage points lower. The resulting ultimate annual rate of increase in average wages in covered employment is 6.0 percent, which is 0.5 percentage points higher. The ultimate interest rate of 6.6 percent is higher by 0.5 percentage points.

Demographic assumptions

The demographic assumptions in the four alternatives are shown in Table 11.

TABLE 11.—SELECTED DEMOGRAPHIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960-2060

Calendar year	Total fertility rate ¹	Life expectancy ²			
		At birth		At age 65	
		Male	Female	Male	Female
Past experience:					
1960.....	3.61	66.7	73.4	13.0	16.1
1965.....	2.88	66.8	74.1	13.0	16.6
1970.....	2.43	67.1	74.9	13.2	17.2
1975.....	1.77	68.7	76.5	13.7	18.1
1976.....	1.74	69.0	76.7	13.8	18.1
1977.....	1.79	69.3	77.1	13.9	18.4
1978.....	1.76	69.5	77.2	14.0	18.4
1979.....	1.81	69.8	77.7	14.3	18.7
1980.....	1.84	69.8	77.7	14.3	18.7
Alternative I:					
1981.....	1.87	70.0	77.9	14.3	18.8
1982.....	1.89	70.1	78.0	14.4	18.9
1983.....	1.91	70.2	78.1	14.4	19.0
1984.....	1.93	70.3	78.2	14.5	19.0
1985.....	1.96	70.4	78.3	14.5	19.1
1990.....	2.07	70.9	78.9	14.8	19.4
1995.....	2.18	71.2	79.2	14.9	19.7
2000.....	2.29	71.4	79.4	15.0	19.8
2005.....	2.40	71.5	79.5	15.1	19.9
2010.....	2.40	71.6	79.6	15.2	20.0
2020.....	2.40	71.8	79.9	15.3	20.2
2030.....	2.40	72.0	80.1	15.5	20.4
2040.....	2.40	72.2	80.3	15.6	20.6
2050.....	2.40	72.4	80.6	15.7	20.8
2060.....	2.40	72.6	80.8	15.9	21.0
Alternatives II-A and II-B:					
1981.....	1.86	70.1	78.0	14.4	18.9
1982.....	1.87	70.4	78.3	14.5	19.1
1983.....	1.88	70.6	78.5	14.6	19.3
1984.....	1.89	70.8	78.7	14.7	19.4
1985.....	1.90	71.0	78.9	14.8	19.5
1990.....	1.95	71.9	80.0	15.3	20.3
1995.....	2.00	72.6	80.8	15.6	20.8
2000.....	2.05	72.9	81.1	15.8	21.1
2005.....	2.10	73.2	81.4	16.0	21.4
2010.....	2.10	73.4	81.6	16.1	21.6
2020.....	2.10	73.8	82.1	16.4	22.0
2030.....	2.10	74.2	82.6	16.7	22.4
2040.....	2.10	74.6	83.1	17.0	22.8
2050.....	2.10	75.0	83.6	17.3	23.2
2060.....	2.10	75.4	84.1	17.6	23.6
Alternative III:					
1981.....	1.84	70.3	78.3	14.5	19.1
1982.....	1.83	70.8	78.9	14.7	19.5
1983.....	1.83	71.3	79.4	14.9	19.8
1984.....	1.82	71.7	79.8	15.1	20.1
1985.....	1.82	72.1	80.2	15.3	20.4
1990.....	1.79	74.0	82.5	16.3	22.1
1995.....	1.76	75.3	84.1	17.0	23.5
2000.....	1.73	75.9	84.9	17.4	24.2
2005.....	1.70	76.4	85.5	17.8	24.7
2010.....	1.70	76.8	86.0	18.1	25.1
2020.....	1.70	77.7	87.2	18.8	26.1
2030.....	1.70	78.5	88.3	19.5	27.2
2040.....	1.70	79.4	89.5	20.1	28.2
2050.....	1.70	80.2	90.6	20.8	29.3
2060.....	1.70	81.0	91.8	21.5	30.4

¹The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age observed in, or assumed for, the selected year, and if she were to survive the entire child-bearing period.

²The life expectancy for any year is the average number of years of life remaining to a person if that person were to experience the death rates by age assumed for the selected year.

The demographic assumptions in alternatives II-A and II-B are identical. The assumed ultimate total fertility rate is 2.1 children per woman, which is the rate that, in the absence of net migration and changes in mortality, would eventually result in a nearly constant number of people in the population. This ultimate level of fertility is fully attained in 2005, after a gradual increase from the estimated 1980

level. Mortality rates are assumed to decrease gradually during the entire 75-year projection period, with an average reduction from 1978 levels of 37 percent by the year 2060. This reduction results in life expectancies at birth in 2060 of 75.4 years for men and 84.1 years for women, compared to 69.5 and 77.2 years observed in 1978. Life expectancies at age 65 in 2060 are projected to be 17.6 years for men and 23.6 years for women, compared to 14.0 and 18.4 years observed in 1978.

In alternative I, the total fertility rate is assumed to be higher than in the other alternatives, reaching an ultimate level of 2.4 children per woman, which is fully attained in 2005. The average annual reduction in mortality rates during the 75-year projection period is assumed to be half of that in alternatives II-A and II-B. The resulting life expectancies at birth by 2060 are projected to be 72.6 years for men and 80.8 years for women, while at age 65 they are 15.9 and 21.0 years.

In alternative III, less favorable demographic conditions are assumed. The total fertility rate is assumed to be lower than in the other alternatives, decreasing from the estimated 1980 level to an ultimate level of 1.7, which is fully attained in 2005. The average annual reduction in mortality rates during the 75-year projection period is assumed to be twice that in alternatives II-A and II-B. The resulting life expectancies at birth by 2060 are projected to be 81.0 years for men and 91.8 years for women, while at age 65 they are 21.5 and 30.4 years.

The values assumed after the early years for both the economic and the demographic factors are intended to represent the average experience for those years and are not intended to be predictions of year-by-year values. Actual future values will likely exhibit fluctuations or cyclical patterns, as in the past.

In addition to the assumptions discussed above, many other assumed or derived factors (such as labor force participation rates, marriage rates, and others) are necessary to prepare the cost estimates presented in this report. Appendix A includes a discussion of some of those factors.

B. AUTOMATIC ADJUSTMENTS

Under the automatic-increase provisions of the law, benefits are adjusted to reflect increases in the CPI. For persons becoming eligible for benefits in 1979 and later, the automatic cost-of-living benefit increases begin with the year a worker reaches age 62, or becomes disabled or dies, if earlier. An automatic cost-of-living benefit increase of 11.2 percent, effective for June 1981, was established in April 1981, as described in Appendix C.

With the exception of predetermined amounts provided for each year in the period 1979-81 under the 1977 amendments, the contribution and benefit base automatically increases in the year following each year in which an automatic cost-of-living benefit increase becomes effective. Such automatic increases are proportionate to the increase in average wages. For 1982, the contribution and benefit base was automatically increased to \$32,400 as described in Appendix D.

The 1977 amendments also provided specific amounts for the exempt amount under the earnings test in 1978-82 for beneficiaries aged 65 and over. As a result of these provisions, the annual exempt amount under the earnings test for beneficiaries aged 65 and over increased from \$5,500 in 1981 to \$6,000 in 1982.

Following the cost-of-living benefit increase that became effective for June 1981, an automatic increase in the annual exempt amount under the earnings test, from \$4,080 in 1981 to \$4,400 in 1982, was established in November 1981 for beneficiaries under age 65, as described in Appendix D. That appendix also describes the determinations of the following amounts for 1982:

1. The amount of earnings a worker must have to be credited with quarters of coverage in 1982;
2. The dollar amounts (or "bend points") in the formulas used to compute benefits payable on the earnings of workers who first become eligible for Old-Age or Disability Insurance benefits, or die before becoming eligible for such benefits, in 1982; and
3. The average of total wages reported for calendar year 1980, to be used for indexing earnings of workers who first become eligible for benefits, or die before first eligibility, in 1982 or later.

A historical summary of the Social Security program amounts determined under the automatic provisions, and the average-wage series used for indexing earnings, are shown in Appendix E. A projection of the corresponding amounts resulting from the two intermediate sets of assumptions, through 1987, is also shown there.

The law as amended in 1977 further provides for the determination of the contribution and benefit base that would have been in effect in each year after 1978 under the automatic provisions of the law as in effect before the enactment of the 1977 amendments. This "old-law" base is used in determining special minimum benefits for certain workers who have many years of low earnings in covered employment. It is also used for certain purposes under the Railroad Retirement program and the Employee Retirement Income Security Act of 1974. For 1981, the old-law base was \$22,200. The corresponding old-law base for 1982 was determined to be \$24,300.

The four alternative sets of economic assumptions described previously result in the following general benefit increases and contribution and benefit bases for each year through 1987 (actual benefit increases for 1980-81, and actual contribution and benefit bases for 1980-82, are also shown as a basis for comparison):

Calendar year	General benefit increase ¹ (percent) under alternative—				Contribution and benefit base ² under alternative—			
	I	II-A	II-B	III	I	II-A	II-B	III
1980.....	14.3	14.3	14.3	14.3	\$25,900	\$25,900	\$25,900	\$25,900
1981.....	11.2	11.2	11.2	11.2	29,700	29,700	29,700	29,700
1982.....	7.6	7.6	7.6	7.6	32,400	32,400	32,400	32,400
1983.....	6.0	6.5	7.5	8.8	35,400	35,100	35,100	35,100
1984.....	5.0	4.8	7.7	9.7	38,400	38,100	37,500	37,200
1985.....	4.3	4.8	6.9	9.4	41,100	40,500	40,500	39,900
1986.....	4.0	4.6	6.1	9.0	44,100	42,900	43,800	42,900
1987.....	3.5	4.5	5.6	8.6	47,100	46,200	46,800	46,800

¹Effective with benefits for June of the stated year.

²The amounts, effective on January 1 of the stated year, are specified in the law for the years 1979-81. After 1981, the amount increases under the automatic provisions.

Under the automatic provisions of the law, the four different sets of economic assumptions result in the following annual exempt amounts under the earnings test, both for beneficiaries under age 65 and for beneficiaries aged 65 and over (the amounts for 1980-82 are also shown as a basis for comparison):

Calendar year	ANNUAL EXEMPT AMOUNTS UNDER THE RETIREMENT TEST ¹ Annual exempt amount for beneficiaries under age 65 under alternative—				Annual exempt amount for beneficiaries aged 65 and over ² under alternative—			
	I	II-A	II-B	III	I	II-A	II-B	III
1980.....	\$3,720	\$3,720	\$3,720	\$3,720	\$5,000	\$5,000	\$5,000	\$5,000
1981.....	4,080	4,080	4,080	4,080	5,500	5,500	5,500	5,500
1982.....	4,440	4,440	4,440	4,440	6,000	6,000	6,000	6,000
1983.....	4,800	4,800	4,800	4,800	6,480	6,480	6,480	6,480
1984.....	5,160	5,160	5,160	5,160	6,960	7,080	6,960	6,840
1985.....	5,520	5,520	5,520	5,520	7,440	7,560	7,560	7,320
1986.....	5,880	5,880	6,000	6,000	8,040	8,040	8,160	7,920
1987.....	6,240	6,360	6,360	6,600	8,640	8,640	8,760	8,640

¹Effective on January 1 of the stated year.

²The amounts are specified in the law for the years 1980-82. After 1982, the amount increases automatically. Through the year 1982, the earnings test does not apply to beneficiaries aged 72 and over; after 1982, it will not apply to beneficiaries aged 70 and over.

C. ESTIMATED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD OCTOBER 1, 1981 TO DECEMBER 31, 1986

The following statement of the estimated operations and status of the trust funds during the period October 1, 1981 to December 31, 1986 is based on the assumptions described in the preceding sections. As previously stated, it is assumed that present statutory provisions and regulations affecting the program will remain unchanged in the period. The estimates reflect the effects of (1) Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981, and (2) Public Law 97-123 which, in addition to other changes, provided authority for interfund borrowing among the OASI, DI, and HI Trust Funds through December 31, 1982.

The provisions authorizing interfund borrowing are contained in section 201(l) of the Social Security Act. Under this section, the Managing Trustee is authorized to determine, prior to January 1983, if any one of the OASI, DI, and HI Trust Funds requires additional funds and to borrow appropriate amounts from the other trust funds for transfer to and deposit in the borrowing trust fund. The section further specifies that when a loan has been made, interest on the unrepaid balance will be transferred, from time to time, from the borrowing trust fund to the lending trust fund at a rate equivalent to the rate the lending trust fund would have earned on the amounts loaned if they had been normal investments. The specific loans, repayments, and the timing of interest payments are largely at the discretion of the Managing Trustee. An explanatory statement, included in the Conference Report that accompanied H.R. 4331 (subsequently signed into law as Public Law 97-123) and submitted by the managers on the part of the House and the Senate at the conference, stipulates that when a determination of interfund borrowing is made, "In no case shall such interfund borrowing make adjustments in the trust funds insuring benefit payments for a period more than six months beyond the date of such determination."

Since considerable discretion is left to the Managing Trustee in the use of the interfund borrowing authority, many approaches are possible. For example, it would be possible to borrow just the amounts needed at the beginning of each month in order to permit benefits for that month to be paid on time. After December 31, 1982, no more borrowing would be authorized and a deficient fund would be unable to make timely benefit payments shortly thereafter. On the other hand, the Managing Trustee could make large transfers to a deficient fund in December 1982, so that timely payment of benefits could continue for the following 6 months (any longer period being precluded by the legislative intent as expressed in the explanatory statement accompanying the Conference Report). The actual policy to be followed will depend on the events occurring between the present time and the time when interfund borrowing would first be required; as yet, no specific policy has been formulated and no interfund transfers have been necessary. For the purposes of the estimates shown in this report (and the corresponding annual report on the financial status of the HI Trust Fund), it has been assumed that the maximum potential use of interfund borrowing will be made in order to maximize the period during which the timely payment of benefits can be made. It was also assumed that the loans to the OASI Trust Fund would

be made first from the DI Trust Fund, until the DI Trust Fund's assets were drawn down to the minimum amount necessary to pay DI benefits on a timely basis, and then from the HI Trust Fund.

Under each of the four alternative sets of assumptions described earlier, loans to the OASI Trust Fund would be necessary in the latter half of 1982. In each case, the estimated assets of the combined DI and HI Trust Funds at the end of December 1982 are sufficient to provide loans to the OASI Trust Fund in amounts that would, on an estimated basis, permit the timely payment of OASI benefits through June 1983 without endangering the timely payment of DI and HI benefits during this same period.

In the tables of estimated trust fund operations that are presented in this section, the amounts borrowed or loaned under the interfund borrowing provisions are reflected in the income estimates for calendar year 1982 (or fiscal year 1983, on a fiscal year basis). Thus estimated assets at the end of calendar years 1982 and later (or fiscal years 1983 and later), and the corresponding ratios of assets to annual expenditures, include the effect of interfund loans. The specific loan amounts are shown in the footnotes to the tables, and separately in Table 15. For purposes of preparing the estimates, it was assumed that interest payments would be made to the lending trust funds at the end of June and December each year, at the "equivalent rates" as specified in the law. This assumption is consistent with the payment of interest on normal trust fund investments. As will be described in this section, the OASI Trust Fund would (in the absence of corrective legislation) be unable to pay benefits on time for an extended period beginning no later than July 1983 and lasting at least through the late 1980's, under each of the alternative sets of assumptions. For this reason, the amounts borrowed by the OASI Trust Fund from the other trust funds in 1982 could not be repaid during the period ending December 31, 1986. For informational purposes, theoretical operations of the OASI Trust Fund subsequent to the fund's depletion in 1983 are shown.

Since the loan amounts are added to (or subtracted from, as the case may be) the income and assets of the OASI, DI, and HI Trust Funds, the total income and assets of the three trust funds, combined, are not distorted by the loans made under the interfund borrowing provisions. The combined assets of the three trust funds are shown in Appendix F, as a percentage of combined annual expenditures, to indicate the adequacy of the overall financing of these three funds. However, without some legislative remedy, the OASI Trust Fund will be unable to meet its benefit obligations beginning no later than July 1983.

OASI Trust Fund operations

Estimates of the operations and status of the OASI Trust Fund during calendar years 1982-86 are shown in Table 12 for each of the four alternative sets of assumptions that were described in the preceding sections. Actual data for calendar year 1981 are also shown in the table. Under each alternative, it is assumed that employment and earnings will increase in every year through 1986. The number of persons with taxable earnings under the OASDI program is expected to increase under alternatives I, II-A, II-B, and III, from 116 million during calendar year

1981 to about 129 million, 127 million, 125 million, and 124 million, respectively, by 1986. The total annual amount of taxable earnings is expected to increase from \$1,301 billion in 1981 to \$2,081 billion, \$2,016 billion, \$2,012 billion, and \$2,021 billion, in 1986, under alternatives I, II-A, II-B, and III, respectively. (In 1981 dollars—taking account of assumed increases in the CPI from 1981 to 1986 under each alternative—the estimated amounts of taxable earnings in 1986 are \$1,635 billion, \$1,555 billion, \$1,441 billion, and \$1,321 billion, under alternatives I, II-A, II-B, and III, respectively.) These increases are due in part to the increases in the contribution and benefit base assumed to occur in 1982-86 under the automatic provisions. The increases in taxable earnings are also due to projected increases in (1) employment levels, (2) average earnings in covered employment, and (3) the coverage of sick pay resulting from Public Law 97-123.

TABLE 12.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND DURING CALENDAR YEARS 1981-86 UNDER FOUR ALTERNATIVE SETS OF ASSUMPTIONS
[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
Alternative I:					
1981 ¹	\$125.4	\$126.7	-1.3	\$21.5	18
1982.....	135.6	141.7	-6.1	15.4	15
1983 ²	140.8	155.1	-14.4	1.0	10
1984 ²	154.7	168.4	-13.7	-12.7	1
1985 ²	175.5	181.2	-5.7	-18.4	-7
1986 ²	191.3	193.5	-2.2	-20.6	-10
Alternative II-A:					
1981 ¹	125.4	126.7	-1.3	21.5	18
1982.....	136.0	141.8	-5.8	15.7	15
1983 ²	139.1	155.6	-16.5	-8	10
1984 ²	149.2	169.3	-20.1	-20.9	(³)
1985 ²	167.6	182.6	-15.0	-35.9	-11
1986 ²	182.2	196.1	-13.9	-49.8	-18
Alternative II-B:					
1981 ¹	125.4	126.7	-1.3	21.5	18
1982.....	137.1	141.8	-4.7	16.8	15
1983 ²	137.0	156.4	-19.4	-2.6	11
1984 ²	149.1	173.2	-24.0	-26.6	-1
1985 ²	167.1	191.1	-23.9	-50.5	-14
1986 ²	180.7	208.5	-27.9	-78.4	-24
Alternative III:					
1981 ¹	125.4	126.7	-1.3	21.5	18
1982.....	137.8	141.8	-4.0	17.5	15
1983 ²	133.7	157.6	-23.9	-6.4	11
1984 ²	142.8	177.3	-34.6	-41.0	-4
1985 ²	162.1	200.0	-37.9	-78.9	-20
1986 ²	177.0	224.1	-47.1	-126.0	-35

¹Figures for 1981 represent actual experience. Disbursements have been adjusted to exclude the benefits for December 1981 that were paid on December 31, 1981 rather than January 3, 1982 which was a Sunday. These benefits have been included in disbursements for 1982. Thus the disbursement amounts shown in 1981 and 1982 each reflect 12 months of benefit payments and are comparable to figures for other calendar years.

²Under each set of assumptions, the fund is depleted in July 1983, when assets become insufficient to pay benefits on time. Figures for 1983 and later years are therefore theoretical. See text for details.

³Between 0.0 and -0.5 percent.

Note: Income figures for 1982, and asset figures for 1982 and later, include amounts assumed to be borrowed by the OASI Trust Fund under the interfund borrowing provisions. See text and Table 15 for details. These amounts are \$7.1 billion, \$7.0 billion, \$11.1 billion, and \$12.3 billion under alternatives I, II-A, II-B, and III, respectively. Totals do not necessarily equal the sum of rounded components. The major assumptions underlying the estimates are described in the preceding sections and are shown in Tables 10 and 11.

The rise in estimated income shown in Table 12 under each set of assumptions reflects the increases in estimated taxable earnings under the

different alternatives, as described above. In addition, the estimated income to the fund is affected by the scheduled changes in contribution rates.

Rising disbursements during calendar years 1982-86 reflect the effects of the assumed future automatic benefit increases previously shown, as well as the long-range upward trend in the numbers of beneficiaries and in the amounts of average monthly earnings underlying benefits payable under the program. The growth in the number of beneficiaries in the past and the expected growth in the future result partly from the increase in the aged population and partly from two other factors—(1) in each succeeding year a larger proportion of the persons attaining age 62 are eligible for benefits and (2) the amendments during the period 1950-77 liberalized the eligibility provisions and extended coverage to additional categories of employment. On the other hand, this growth will be reduced somewhat by the effects of the Omnibus Budget Reconciliation Act of 1981.

There has also been a growth in the proportion of eligible persons who receive benefits. This growth is due to several factors, among which are (1) the amendments enacted during the period 1950-80 which affect the conditions governing the receipt of benefits and (2) the increasing percentage of eligible persons who are aged 72 and over and who therefore receive benefits regardless of earnings. As indicated in the previous section, the age at which eligible persons may begin to receive full benefits regardless of earnings will be reduced from 72 to 70 beginning in 1983.

Under all four sets of assumptions, the estimates shown in Table 12 indicate that disbursements are estimated to exceed income in every year 1982-86. The assets of the OASI Trust Fund at the beginning of 1981 were equal to about 18 percent of the fund's disbursements in 1981. During 1981, the fund declined to 15 percent of estimated outgo in 1982. By the beginning of 1983, this percentage is estimated to decline to 10 percent under alternatives I and II-A and to 11 percent under alternatives II-B and III.

It may appear contradictory that under *less* favorable economic conditions the OASI Trust Fund has *more* assets at the beginning of 1983. The explanation is that under adverse conditions, a greater amount must be borrowed at the end of 1982 to ensure the timely payment of benefits during January through June of 1983. These borrowed amounts are reflected in the assets of the OASI Trust Fund at the beginning of 1983.

As described previously, assuming that maximum use would be made of the interfund borrowing authority, in July 1983 the assets of the OASI Trust Fund would be insufficient to pay benefits when due in the absence of corrective legislation. This condition occurs when, at the end of any month, the assets fall to less than about 9 percent of the following 12 months of disbursements. Below this level, assets are not large enough to pay benefits when due because of the difference in the cash flow of income and outgo during a month. Almost all of the benefits for a given month are usually payable on the third day of the following month. Contribution income, on the other hand, is received more or less

uniformly throughout the month, on a daily basis. For example, the benefits for June 1983, estimated to be about \$13 billion under alternative II-B, are payable on July 1, 1983 before enough income can be added to the fund's estimated assets of about \$12 billion at the end of June to pay the benefits due on July 1. (Benefits for June 1983 are payable on July 1 instead of July 3 because July 3 is a Sunday. In such instances, section 708(a) of the Social Security Act stipulates an earlier payment date.)

Although the OASI Trust Fund would be depleted no later than July 1983 under present law, projections representing the theoretical operations of the trust fund in 1983 and later years are shown in Table 12 for informational purposes.

DI Trust Fund operations

The estimated operations and status of the DI Trust Fund during calendar years 1982-86 under the four sets of assumptions are shown in Table 13, together with figures on actual experience in 1981. Income will increase during calendar years 1982-86, under each alternative, reflecting the same factors, insofar as they apply to income to the DI Trust Fund, that are reflected in the increase in income to the OASI Trust Fund during the same period. Income will also rise as a result of the scheduled increases in the combined employee-employer contribution rate allocated for DI, and accompanying increases in contribution rates for self-employed persons.

Disbursements will increase because of automatic benefit increases and because of projected increases in the amounts of average monthly earnings on which benefits are based. These effects are offset, somewhat, by projected decreases in the numbers of beneficiaries. Since about 1978, the number of persons receiving benefits under the DI program has been declining, primarily because of declining disability incidence rates. A continuing decline in the number of beneficiaries is projected for the next several years under all four sets of assumptions, reflecting the combined effects of (1) somewhat lower incidence rates than those of the last decade and (2) projected termination rates that are somewhat higher than recent experience. The higher termination rates are expected to result from the increased review of the continuing eligibility of disabled beneficiaries.

OASDI tax rates were temporarily reallocated for 1980 and 1981, with some tax income shifted from the DI fund to the OASI fund. The effect of this reallocation on the assets of the DI fund, as a percentage of annual expenditures, was to cause a sharp decrease—from 35 percent at the beginning of 1980 to an estimated 16 percent at the beginning of 1982. The lending of assets to the OASI Trust Fund at the end of 1982 will cause a further drop, to an estimated 8 percent, at the beginning of 1983. The increase in DI tax rates to the levels provided for 1982-84 is expected to result in a rapid increase in the assets of the DI fund after 1982. As a percentage of annual expenditures, the assets of the DI Trust Fund are projected to reach 178 percent, 169 percent, 148 percent, and 125 percent at the beginning of 1986 under alternatives I, II-A, II-B, and III, respectively.

TABLE 13.—ESTIMATED OPERATIONS OF THE DI TRUST FUND DURING CALENDAR YEARS 1981-86 UNDER FOUR ALTERNATIVE SETS OF ASSUMPTIONS
[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
Alternative I:					
1981 ¹	\$17.1	\$17.7	-\$0.6	\$3.0	21
1982.....	17.0	18.5	-1.5	1.5	16
1983.....	26.7	18.9	7.8	9.4	8
1984.....	30.2	19.6	10.7	20.0	48
1985.....	38.4	20.4	17.9	38.0	98
1986.....	42.9	21.4	21.5	59.5	178
Alternative II-A:					
1981 ¹	17.1	17.7	-6	3.0	21
1982.....	17.0	18.5	-1.5	1.6	16
1983.....	26.6	19.0	7.6	9.2	8
1984.....	29.7	19.7	10.1	10.2	47
1985.....	37.9	20.6	17.4	36.6	93
1986.....	42.9	21.6	21.3	57.9	169
Alternative II-B:					
1981 ¹	17.1	17.7	-6	3.0	21
1982.....	17.0	18.5	-1.5	1.6	16
1983.....	26.1	19.1	7.1	8.6	8
1984.....	29.5	20.1	9.4	18.0	43
1985.....	37.3	21.5	15.9	33.9	84
1986.....	41.8	22.9	18.9	52.8	148
Alternative III:					
1981 ¹	17.1	17.7	-6	3.0	21
1982.....	17.0	18.5	-1.5	1.6	16
1983.....	25.6	19.2	6.4	7.9	8
1984.....	28.6	20.6	8.0	16.0	39
1985.....	36.9	22.4	14.5	30.5	71
1986.....	42.2	24.4	17.8	48.3	125

¹See footnote 1 of Table 12.

Note: Income figures for 1982, and asset figures for 1982 and later, reflect the amounts assumed to be loaned by the DI Trust Fund under the interfund borrowing provisions. See text and Table 15 for details. These amounts are \$6.2 billion, \$6.3 billion, \$5.7 billion, and \$5.6 billion under alternatives I, II-A, II-B, and III, respectively. Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding sections and are shown in Tables 10 and 11.

Combined OASI and DI Trust Fund operations

The estimated operations and status of the OASI and DI Trust Funds, combined, during calendar years 1982-86 under the four alternatives, are shown in Table 14 together with figures on actual experience in 1981. As explained above, the OASI Trust Fund is projected to be depleted in the near future under all four alternative sets of assumptions. Since under present law none of the income to one trust fund can be allocated to the other trust fund after 1982, the projections of the combined OASI and DI Trust Fund operations for 1983-86 under each alternative are theoretical. These figures represent the arithmetical addition of the figures shown in Tables 12 and 13.

TABLE 14.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED,
DURING CALENDAR YEARS 1981-86 UNDER FOUR ALTERNATIVE SETS OF ASSUMPTIONS
[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of disbursements during year
Alternative I:					
1981 ¹	\$142.4	\$144.4	-\$1.9	\$24.5	18
1982.....	152.6	160.2	-7.6	16.9	15
1983 ²	167.5	174.0	-6.5	10.4	10
1984 ²	184.9	187.9	-3.0	7.4	6
1985 ²	213.8	201.6	12.2	19.6	4
1986 ²	234.2	214.8	19.3	38.9	9
Alternative II-A:					
1981 ¹	142.4	144.4	-1.9	24.5	18
1982.....	153.0	160.3	-7.3	17.2	15
1983 ²	165.8	174.6	-8.9	8.3	10
1984 ²	178.9	188.9	-10.0	-1.7	4
1985 ²	205.5	203.1	2.4	-7	-1
1986 ²	225.1	217.7	7.4	8.0	(³)
Alternative II-B:					
1981 ¹	142.4	144.4	-1.9	24.5	18
1982.....	154.1	160.3	-6.2	18.4	15
1983 ²	163.1	175.5	-12.3	6.0	10
1984 ²	178.6	193.3	-14.6	-8.6	3
1985 ²	204.5	212.5	-8.0	-16.7	-4
1986 ²	222.5	231.4	-8.9	-25.6	-7
Alternative III:					
1981 ¹	142.4	144.4	-1.9	24.5	18
1982.....	154.8	160.4	-5.5	19.0	15
1983 ²	159.3	176.8	-17.5	-1.5	11
1984 ²	171.4	197.9	-26.6	-25.0	1
1985 ²	199.0	222.4	-23.4	-48.4	-11
1986 ²	219.2	248.5	-29.3	-77.7	-19

¹See footnote 1 of Table 12.

²Figures are theoretical. See accompanying text and footnote 2 in Table 12 for details.

³Between 0.0 and 0.5 percent.

Note: Income figures for 1982, and asset figures for 1982 and later, include amounts assumed to be borrowed from the HI Trust Fund under the interfund borrowing provisions. See text and Table 15 for details. These amounts are \$0.9 billion, \$0.8 billion, \$5.3 billion, and \$6.7 billion, respectively, under alternatives I, II-A, II-B, and III. Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding sections and are shown in Tables 10 and 11.

At the beginning of 1981, the assets of the combined OASI and DI Trust Funds were equal to 18 percent of the disbursements in 1981, as shown in Table 14. By the beginning of 1982 the assets had declined to an amount representing 15 percent of the expenditures in 1982 as estimated under each of the four alternatives. Under each of the four alternatives, the combined funds are projected to continue to decline and are depleted in the second half of 1983.

Table 15 summarizes the estimated amounts that would be borrowed or loaned by the OASI, DI, and HI Trust Funds in 1982 under the interfund borrowing provisions. Once again, the figures represent the maximum potential use of the authority; while the maximum approach is not mandated, the transfer of smaller amounts would result in depletion of the OASI Trust Fund prior to July 1983.

TABLE 15.—ESTIMATED AMOUNTS BORROWED OR LOANED BY THE OASI, DI, AND HI TRUST FUNDS DURING 1982 UNDER THE INTERFUND BORROWING AUTHORITY PROVIDED BY PUBLIC LAW 97-123 UNDER FOUR ALTERNATIVE SETS OF ASSUMPTIONS
[In billions]

Assumptions	Estimated amounts borrowed or loaned by trust fund ¹		
	OASI	DI	HI
Alternative I.....	\$7.1	-\$6.2	-\$0.9
Alternative II-A.....	7.0	-6.3	-0.8
Alternative II-B.....	11.1	-5.7	-5.3
Alternative III.....	12.3	-5.6	-6.7

¹A positive figure represents an amount borrowed by the trust fund; a negative figure represents an amount loaned.

Note: The above estimates assume that the Managing Trustee exercises his discretionary authority to the maximum extent by borrowing sufficient funds from the DI and HI Trust Funds in December 1982 to guarantee the timely payment of OASI benefits through June 1983. See text for details. Totals do not necessarily equal the sum of rounded components.

For purposes of preparing the cost estimates in this report, it has been assumed that the OASI Trust Fund would borrow from the DI Trust Fund first, to the maximum extent possible without endangering the timely payment of DI benefits through June 1983. Assets from the HI Trust Fund would be borrowed only to the extent that DI Trust Fund assets are inadequate to meet the needs of the OASI Trust Fund. In actual practice, the Managing Trustee may determine that other procedures would be more appropriate.

Assets as a percentage of annual expenditures for selected years prior to 1982 are shown in Table 16 for both funds combined and for each fund separately.

TABLE 16.—ASSETS AT THE BEGINNING OF THE YEAR AS A PERCENTAGE OF EXPENDITURES DURING THE YEAR, FOR THE OASDI PROGRAM, BY TRUST FUND, FOR SELECTED CALENDAR YEARS 1950-81

Calendar year	OASI and DI Trust Funds, combined	OASI Trust Fund	DI Trust Fund
1950.....	1,156	1,156	—
1955.....	405	405	—
1960.....	186	180	304
1965.....	110	109	121
1970.....	103	101	126
1975.....	66	63	92
1976.....	57	54	71
1977.....	47	47	48
1978.....	37	39	26
1979.....	30	30	30
1980.....	25	23	35
1981.....	18	18	21

Expenditures in calendar year 1981 from both trust funds, combined, were 11.27 percent of taxable payroll for the year—0.57 percent more than the combined employee-employer contribution rate of 10.70 percent. The cost rates for both trust funds, combined, are estimated to increase in 1982 under each alternative. Under alternatives I and II-A, cost rates are estimated to begin a slow decline in 1983, reaching 10.51 percent and 11.00 percent, respectively, in 1986. Under alternative II-B, cost rates would decline slightly from their level in 1983 but then return to approximately the same level by 1986. Under alternative III, cost rates are estimated to continue to climb to 12.51 percent in 1986. These percentages are shown in Table 17 for both trust funds, combined, and for each trust fund separately. Table 17 also shows a comparison of each of the percentages with the corresponding combined employee-employer contribution rate.

TABLE 17.—ESTIMATED COST RATES FOR THE OASI AND DI TRUST FUNDS COMPARED WITH COMBINED EMPLOYEE-EMPLOYER CONTRIBUTION RATES, FOR CALENDAR YEARS 1981-86 UNDER FOUR ALTERNATIVE SETS OF ASSUMPTIONS

Calendar year	OASI Trust Fund			DI Trust Fund			OASI and DI Trust Funds, combined		
	Estimated cost rate ¹	Combined employee-employer contribution rate	Difference ²	Estimated cost rate ¹	Combined employee-employer contribution rate	Difference ²	Estimated cost rate ¹	Combined employee-employer contribution rate	Difference ²
1981 ³	9.89	9.40	-0.49	1.38	1.30	-0.08	11.27	10.70	-0.57
Alternative I:									
1982	10.21	9.15	-1.06	1.33	1.65	.32	11.55	10.80	-.75
1983	10.06	9.15	-.91	1.23	1.65	.42	11.29	10.80	-.49
1984	9.86	9.15	-.71	1.14	1.65	.51	11.00	10.80	-.20
1985	9.65	9.50	-.15	1.09	1.90	.81	10.74	11.40	.66
1986	9.46	9.50	.04	1.05	1.90	.85	10.51	11.40	.89
Alternative II-A:									
1982	10.18	9.15	-1.03	1.33	1.65	.32	11.51	10.80	-.71
1983	10.21	9.15	-1.06	1.25	1.65	.40	11.46	10.80	-.66
1984	10.22	9.15	-1.07	1.19	1.65	.46	11.41	10.80	-.61
1985	10.07	9.50	-.57	1.13	1.90	.77	11.20	11.40	.20
1986	9.91	9.50	-.41	1.09	1.90	.81	11.00	11.40	.40
Alternative II-B:									
1982	10.42	9.15	-1.27	1.36	1.65	.29	11.78	10.80	-.98
1983	10.38	9.15	-1.23	1.27	1.65	.38	11.65	10.80	-.85
1984	10.42	9.15	-1.27	1.21	1.65	.44	11.63	10.80	-.83
1985	10.52	9.50	-1.02	1.18	1.90	.72	11.70	11.40	-.30
1986	10.55	9.50	-1.05	1.16	1.90	.74	11.71	11.40	-.31
Alternative III:									
1982	10.47	9.15	-1.32	1.37	1.65	.28	11.83	10.80	-1.03
1983	10.72	9.15	-1.57	1.31	1.65	.34	12.02	10.80	-1.22
1984	11.04	9.15	-1.89	1.28	1.65	.37	12.32	10.80	-1.52
1985	11.15	9.50	-1.65	1.25	1.90	.65	12.40	11.40	-1.00
1986	11.28	9.50	-1.78	1.23	1.90	.67	12.51	11.40	-1.11

¹Represents trust fund expenditures as a percentage of taxable payroll. Percentage takes into account (1) the lower contribution rate payable by the self-employed compared with combined employee-employer rate, (2) employee contributions subject to refund, and (3) that the employer contribution is payable on only a portion of tips taxable as wages. For 1981, expenditures are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than 3 quarters of coverage, costs of which are financed from the general fund of the Treasury. Similar adjustments are not made in the projection period, 1982 and later, because such payments are relatively small.

²Represents difference between tax contribution income and total outgo, as a percentage of taxable payroll, and therefore excludes the effects of other sources of income (principally interest income). Total income and outgo during 1981-86 are shown in Tables 12-14.

³Percentages for 1981, though based on actual experience, are preliminary and subject to revision.

Cost rates for years prior to 1982 are shown in Table 18.

TABLE 18.—COST RATES FOR THE OASI AND DI TRUST FUNDS FOR SELECTED CALENDAR YEARS 1950-81¹

Calendar year	OASI and DI Trust Funds, combined	OASI Trust Fund	DI Trust Fund
1950.....	1.17	1.17	—
1955.....	3.34	3.34	—
1960.....	5.89	5.59	0.30
1965.....	7.93	7.23	.70
1970.....	8.12	7.32	.81
1975.....	10.65	9.29	1.36
1976.....	10.86	9.42	1.44
1977.....	10.97	9.46	1.50
1978.....	10.74	9.29	1.45
1979.....	10.25	8.90	1.36
1980.....	10.72	9.34	1.38
1981.....	11.27	9.89	1.38

¹See footnote 1, Table 17. For 1977-81, percentages are preliminary and subject to revision. Expenditures in 1970 and later are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than 3 quarters of coverage, the costs of which are financed from the general fund of the Treasury.

As stated previously, estimates of the operations of the trust funds during calendar years 1982-86 have been presented in the preceding tables of this section under four different sets of economic assumptions because of the uncertainty of future economic developments. Under the provisions of the Social Security Act, it is required that estimates of the expected operations and status of the trust funds during the next 5 fiscal years be shown in this report. Accordingly, detailed estimates of the expected operations and status of the trust funds during each fiscal year 1982-86 are shown in the remaining tables of this section for the two intermediate sets of assumptions (alternatives II-A and II-B) only. Similar detailed estimates are also shown on a calendar-year basis for 1982-86.

Data on the actual operations of the OASI Trust Fund for selected years during 1940-81, and estimates of the expected operations of the trust fund during 1982-86 under the intermediate sets of assumptions, are shown in Tables 19 and 20 on a fiscal- and calendar-year basis, respectively. Corresponding figures on the operations of the DI Trust Fund are shown in Tables 21 and 22. Operations of both trust funds combined are shown in Tables 23 and 24.¹

¹Data relating to the operations of the two trust funds for years not shown in Tables 19-24 are contained in earlier annual reports.

TABLE 19.—OPERATIONS OF THE OASI TRUST FUND DURING SELECTED FISCAL YEARS 1940-81 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1982-86 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS

[In millions]

Fiscal year ¹	Income					Disbursements						
	Total	Contributions, less refunds	Reimbursements from the general fund of Treasury for costs of—			Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account	Net increase in fund	Fund at end of period
			Noncontributory credits for military service	Payments to non-insured persons aged 72 and over	Interest on investments ²							
Past experience:												
1940.....	\$592	\$550	—	—	\$42	\$28	\$16	—	\$12	—	\$564	\$1,745
1945.....	1,434	1,310	—	—	124	267	240	—	27	—	1,167	6,613
1950.....	2,367	2,106	\$4	—	257	784	727	—	57	—	1,583	12,893
1955.....	5,525	5,087	—	—	438	4,427	4,333	—	103	-\$10	1,098	21,141
1960.....	10,360	9,843	—	—	517	11,073	10,270	—	202	600	-713	20,829
1965.....	16,443	15,857	—	—	586	15,962	15,226	—	300	436	482	20,180
1970.....	31,746	29,955	78	\$364	1,350	27,321	26,267	\$1	474	579	4,425	32,616
1975.....	58,757	56,017	140	307	2,292	56,676	54,839	8	848	982	2,081	39,948
1976.....	62,327	59,555	157	268	2,347	64,295	62,140	7	935	1,212	-1,968	37,980
July-Sept. 1976.....	16,186	16,106	—	—	80	17,111	16,876	2	234	—	-925	37,055
1977.....	71,796	68,895	378	236	2,287	73,479	71,271	8	993	1,208	-1,583	35,372
1978.....	76,811	74,047	385	228	2,151	81,205	78,524	6	1,086	1,589	-4,394	30,978
1979.....	86,893	84,358	384	230	1,920	90,128	87,592	17	1,072	1,448	-3,235	27,743
1980.....	100,051	97,608	393	164	1,886	103,228	100,615	11	1,160	1,442	-3,177	24,566
1981.....	121,572	119,016	390	150	2,016	122,304	119,413	8	1,298	1,585	-732	23,834
Estimated future experience:⁴												
Alternative II-A:												
1982.....	129,373	126,991	534	140	1,707	138,266	134,986	20	1,309	1,951	-8,893	14,941
1983 ⁵	*144,478	136,310	542	139	452	152,224	148,551	3	1,473	2,197	-7,746	7,195
1984 ⁵	147,377	148,116	547	125	-1,411	166,092	162,187	2	1,527	2,375	-18,715	-11,520
1985 ⁵	163,415	166,209	551	109	-3,454	179,282	175,219	2	1,596	2,466	-15,867	-27,386
1986 ⁵	179,460	183,794	554	92	-4,980	192,568	188,396	1	1,694	2,477	-13,108	-40,495
Alternative II-B:												
1982.....	127,106	124,742	534	140	1,689	138,267	134,986	20	1,309	1,951	-11,161	12,673
1983 ⁵	*145,993	134,151	542	139	101	152,610	148,916	3	1,473	2,218	-6,618	6,056
1984 ⁵	147,145	148,458	547	126	-1,986	168,799	164,847	2	1,548	2,402	-21,654	-15,598
1985 ⁵	163,358	166,789	551	108	-4,090	186,721	182,539	2	1,654	2,526	-23,363	-38,961
1986 ⁵	178,142	183,476	556	92	-5,982	204,101	199,705	1	1,753	2,641	-25,958	-64,920

See following page for footnotes.

¹Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 months ending on September 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

²Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses are charged currently to the trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report. Beginning in calendar year 1982, and fiscal year 1983, these figures reflect payments by a borrowing trust fund and to a lending trust fund for interest on amounts borrowed under the interfund borrowing provisions.

³Includes \$2,700,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at a place within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

⁴In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in Tables 10 and 11.

⁵Figures are theoretical. See text and footnote 2 in Table 12 for details.

⁶Includes \$7,036 million assumed to be borrowed from the DI and HI Trust Funds under the interfund borrowing provisions.

⁷Includes \$11,060 million assumed to be borrowed from the DI and HI Trust Funds under the interfund borrowing provisions.

TABLE 20.—OPERATIONS OF THE OASI TRUST FUND DURING SELECTED CALENDAR YEARS 1940-81 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1982-86 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS
(In millions)

Calendar year	Income					Disbursements						Fund at end of period
	Total	Reimbursements from the general fund of Treasury for costs of—			Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administra-tive expenses	Transfers to Railroad Retirement Account	Net increase in fund	
		Contributions, less refunds	Noncon-tributory credits for military service	Payments to non-insured persons aged 72 and over								
Past experience:												
1940.....	\$368	\$325	—	—	\$43	\$62	\$35	—	\$26	—	\$306	\$2,031
1945.....	1,420	1,285	—	—	134	304	274	—	30	—	1,116	7,121
1950.....	2,928	2,667	\$4	—	257	1,022	961	—	61	—	1,905	13,721
1955.....	6,167	5,713	—	—	454	5,079	4,968	—	119	—	1,087	21,663
1960.....	11,382	10,866	—	—	516	11,198	10,677	—	203	318	184	20,324
1965.....	16,610	16,017	—	—	593	17,501	16,737	—	328	436	-890	18,235
1970.....	32,220	30,256	78	\$371	1,515	29,848	28,796	\$2	471	579	2,371	32,454
1975.....	59,605	56,816	157	268	2,364	60,395	58,509	9	896	982	-790	36,987
1976.....	66,276	63,362	378	236	2,301	67,876	65,699	6	959	1,212	-1,600	35,388
1977.....	72,412	69,572	385	228	2,227	75,309	73,113	8	981	1,208	-2,897	32,491
1978.....	78,094	75,471	384	230	2,008	83,064	80,352	9	1,115	1,589	-4,971	27,520
1979.....	90,274	87,919	393	164	1,797	93,133	90,556	18	1,113	1,448	-2,860	24,660
1980.....	105,841	103,456	390	150	1,845	107,678	105,074	8	1,154	1,442	-1,837	22,824
1981.....	125,361	122,627	534	140	2,060	126,695	123,796	8	1,307	1,585	-1,334	21,490
Estimated future experience:												
Alternative II-A:												
1982.....	*135,956	126,973	542	139	1,266	141,770	138,458	22	1,339	1,951	-5,814	15,676
1983.....	139,130	138,872	547	125	-414	155,637	151,929	2	1,509	2,197	-16,507	-831
1984.....	149,173	150,967	551	109	-2,453	169,272	165,354	2	1,542	2,375	-20,099	-20,930
1985.....	167,606	171,246	554	92	-4,286	182,573	178,491	2	1,614	2,466	-14,967	-35,897
1986.....	182,173	187,285	363	78	-5,552	196,104	191,903	1	1,723	2,477	-13,931	-49,827
Alternative II-B:												
1982.....	*137,083	124,234	542	139	1,108	141,771	138,459	22	1,339	1,951	-4,688	16,802
1983.....	137,005	137,216	547	126	-683	156,392	152,663	2	1,509	2,218	-19,386	-2,584
1984.....	149,144	151,528	551	108	-3,043	173,183	169,210	2	1,569	2,402	-24,039	-26,623
1985.....	167,147	171,554	556	92	-5,055	191,059	186,847	2	1,684	2,526	-23,913	-50,536
1986.....	180,669	187,043	454	78	-6,906	208,524	204,104	1	1,777	2,641	-27,855	-78,391

See following page for footnotes.

¹Adjusted to exclude benefits for December 1981 that were paid on December 31, 1981 rather than January 3, 1982 which was a Sunday. These benefits are included in the 1982 figure so that amounts for 1981 and 1982 each reflect 12 months of benefit payments and are comparable to figures for other calendar years.

²Includes \$7,036 million assumed to be borrowed from the DI and HI Trust Funds under the interfund borrowing provisions.

³Includes \$11,060 million assumed to be borrowed from the DI and HI Trust Funds under the interfund borrowing provisions.

Note: In interpreting the above, reference should be made to the footnotes in Table 19.

TABLE 21.—OPERATIONS OF THE DI TRUST FUND DURING SELECTED FISCAL YEARS 1960-81 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1982-86 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS
[In millions]

Fiscal year ¹	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from the general fund of Treasury for costs of noncontributory credits for military service	Interest on investments ²	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account	Net increase in fund	Fund at end of period
Past experience: ³											
1960	\$1,034	\$987	—	\$47	\$533	\$528	—	\$32	-\$27	\$501	\$2,167
1965	1,237	1,175	—	62	1,495	1,392	—	79	24	-257	2,007
1970	4,380	4,141	\$16	223	2,954	2,778	\$16	149	10	1,426	5,104
1975	7,920	7,356	52	512	7,982	7,630	71	253	29	-62	8,191
1976	8,355	7,797	90	468	9,606	9,222	92	266	26	-1,251	6,939
July-Sept. 1976	2,172	2,159	—	13	2,653	2,555	27	71	—	-481	6,459
1977	9,374	8,900	103	372	11,590	11,135	77	378	(1)	-2,215	4,243
1978	12,784	12,404	128	251	12,655	12,214	84	327	30	129	4,372
1979	15,196	14,750	142	305	13,944	13,428	79	407	30	1,252	5,624
1980	17,376	16,805	118	453	15,320	14,899	99	334	-12	2,056	7,680
1981	12,993	12,589	130	273	17,280	16,853	-8	405	29	-4,288	3,392
Estimated future experience: ³											
Alternative II-A:											
1982	21,725	21,228	168	329	18,403	17,618	132	603	50	3,322	6,714
1983	*19,457	24,590	174	949	18,844	18,106	19	701	17	613	7,327
1984	28,710	26,714	180	1,816	19,489	18,739	13	727	9	9,222	16,549
1985	35,486	32,392	184	2,910	20,323	19,540	11	759	13	15,163	31,712
1986	41,437	36,761	189	4,487	21,352	20,559	9	806	-21	20,085	51,797
Alternative II-B:											
1982	21,318	20,826	168	324	18,397	17,612	132	603	50	2,921	6,313
1983	*19,453	24,200	174	826	18,877	18,137	19	701	20	576	6,889
1984	28,536	26,783	180	1,573	19,789	19,027	13	737	12	8,748	15,637
1985	35,125	32,507	185	2,433	21,108	20,295	11	787	16	14,017	29,654
1986	40,492	36,692	191	3,609	22,504	21,673	9	834	-11	17,988	47,642

¹See footnote 1 in Table 19.

²See footnote 2 in Table 19.

³The financial operations of the DI Trust Fund began in the latter half of fiscal year 1957.

⁴Less than \$500,000 was transferred from the Railroad Retirement Account to the DI Trust Fund.

⁵In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in Tables 10 and 11.

⁶Excludes \$6,257 million assumed to be loaned to the OASI Trust Fund under the interfund borrowing provisions.

⁷Excludes \$5,747 million assumed to be loaned to the OASI Trust Fund under the interfund borrowing provisions.

TABLE 22.—OPERATIONS OF THE DI TRUST FUND DURING SELECTED CALENDAR YEARS 1960-81 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1982-86 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS
[In millions]

Calendar year	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from the general fund of Treasury for costs of noncontributory credits for military service	Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account	Net increase in fund	Fund at end of period
Past experience:											
1960	\$1,063	\$1,010	—	\$53	\$600	\$568	—	\$36	-\$5	\$464	\$2,289
1965	1,247	1,188	—	59	1,687	1,573	—	90	24	-440	1,606
1970	4,774	4,481	\$16	277	3,259	3,067	\$18	164	10	1,514	5,614
1975	8,035	7,444	90	502	8,790	8,414	91	256	29	-754	7,354
1976	8,757	8,233	103	422	10,366	9,966	89	285	26	-1,609	5,745
1977	9,570	9,138	128	304	11,945	11,463	84	399	(¹)	-2,375	3,370
1978	13,810	13,413	142	256	12,954	12,513	86	325	30	856	4,226
1979	15,590	15,114	118	358	14,186	13,708	78	371	30	1,404	5,630
1980	13,871	13,255	130	485	15,872	15,437	78	368	-12	-2,001	3,629
1981	17,078	16,738	168	172	17,658	*17,200	-8	436	29	-580	3,049
Estimated future experience:											
Alternative II-A:											
1982	*17,020	22,555	174	548	18,517	17,677	145	645	50	-1,497	1,552
1983	26,624	25,052	180	1,392	18,996	18,246	10	723	17	7,627	9,180
1984	29,723	27,228	184	2,311	19,670	18,914	12	735	9	10,053	19,232
1985	37,929	34,083	189	3,657	20,573	19,782	10	768	13	17,356	36,588
1986	42,926	37,459	158	5,309	21,639	20,832	8	819	-21	21,287	57,875
Alternative II-B:											
1982	*17,010	22,066	174	517	18,508	17,668	145	645	50	-1,498	1,551
1983	26,124	24,753	180	1,191	19,073	18,320	10	723	20	7,051	8,602
1984	29,496	27,333	185	1,978	20,099	19,327	12	748	12	9,397	17,999
1985	37,329	34,148	191	2,990	21,459	20,631	10	802	16	15,870	33,869
1986	41,799	37,406	154	4,239	22,864	22,020	9	846	-11	18,935	52,804

¹Less than \$500,000 was transferred from the Railroad Retirement Account to the DI Trust Fund.

²See footnote 1 in Table 20.

³Excludes \$6,257 million assumed to be loaned to the OASI Trust Fund under the interfund borrowing provisions.

⁴Excludes \$5,747 million assumed to be loaned to the OASI Trust Fund under the interfund borrowing provisions.

Note: In interpreting the above, reference should be made to the footnotes in Table 21.

TABLE 23.—OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING SELECTED FISCAL YEARS 1960-81 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1982-86 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS
[In millions]

Fiscal year	Income					Disbursements						Funds at end of period
	Total	Reimbursements from the general fund of Treasury for costs of—				Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account	Net increase in funds	
		Contributions, less refunds	Noncontributory credits for military service	Payments to non-insured persons aged 72 and over	Interest on investments							
Past experience:												
1960.....	\$11,394	\$10,830	—	—	\$564	\$11,606	\$10,798	—	\$234	\$574	-\$212	\$22,996
1965.....	17,681	17,032	—	—	648	17,456	16,618	—	379	459	224	22,187
1970.....	36,127	34,096	\$94	\$364	1,572	30,275	29,045	\$18	623	589	5,852	37,720
1975.....	66,677	63,374	192	307	2,804	64,658	62,469	79	1,101	1,010	2,018	48,138
1976.....	70,682	67,352	247	268	2,815	73,901	71,363	100	1,200	1,239	-3,219	44,919
July-Sept. 1976.....	18,359	18,265	—	—	94	19,764	19,431	29	304	—	-1,405	43,514
1977.....	81,170	77,794	481	236	2,659	85,068	82,406	85	1,370	1,208	-3,898	39,615
1978.....	89,595	86,451	513	228	2,403	93,860	90,738	91	1,413	1,618	-4,265	35,350
1979.....	102,089	99,108	526	230	2,225	104,072	101,020	96	1,479	1,477	-1,983	33,367
1980.....	117,427	114,413	511	164	2,339	118,548	115,514	110	1,494	1,430	-1,121	32,246
1981.....	134,565	131,606	521	150	2,289	139,584	136,267	(¹)	1,703	1,614	-5,019	27,226
Estimated future experience:												
Alternative II-A:												
1982.....	151,098	148,219	703	140	2,036	156,669	152,604	152	1,912	2,001	-5,571	21,855
1983.....	² 163,935	160,900	716	139	1,401	171,068	166,657	22	2,174	2,214	-7,133	14,522
1984.....	176,087	174,830	727	125	405	185,581	180,927	15	2,255	2,384	-9,493	5,029
1985.....	198,901	198,601	735	109	-544	199,605	194,759	12	2,355	2,479	-704	4,325
1986.....	220,897	220,555	743	92	-493	213,921	208,955	10	2,500	2,456	6,977	11,302
Alternative II-B:												
1982.....	148,424	145,568	703	140	2,013	156,664	152,599	152	1,912	2,001	-8,240	18,986
1983.....	² 165,446	158,351	716	139	927	171,487	167,053	22	2,174	2,238	-6,042	12,945
1984.....	175,681	175,241	727	126	-412	188,588	183,874	15	2,285	2,414	-12,906	38
1985.....	198,483	199,296	736	108	-1,656	207,829	202,834	12	2,441	2,542	-9,346	-9,308
1986.....	218,635	220,168	747	92	-2,372	226,605	221,378	10	2,587	2,630	-7,970	-17,278

¹Less than \$500,000.

²Includes \$779 million assumed to be borrowed from the HI Trust Fund under the interfund borrowing provisions.

³Includes \$5,313 million assumed to be borrowed from the HI Trust Fund under the interfund borrowing provisions.

Note: In interpreting the above, reference should be made to the footnotes in Table 19.

TABLE 24.—OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING SELECTED CALENDAR YEARS 1960-81 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1982-86 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS
[In millions]

Calendar year	Income					Disbursements							Funds at end of period
	Total	Contributions, less refunds	Reimbursements from the general fund of Treasury for costs of—		Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account	Net increase in funds		
			Noncontributory credits for military service	Payments to non-insured persons aged 72 and over									
Past experience:													
1960.....	\$12,445	\$11,876	—	—	\$569	\$11,798	\$11,245	—	\$240	\$314	\$647	\$22,613	
1965.....	17,857	17,205	—	—	651	19,187	18,311	—	418	459	-1,331	19,841	
1970.....	36,993	34,737	\$94	\$371	1,791	33,108	31,863	\$20	635	589	3,886	38,068	
1975.....	67,640	64,259	247	268	2,866	69,184	66,923	99	1,152	1,010	-1,544	44,342	
1976.....	75,034	71,595	481	236	2,722	78,242	75,665	95	1,244	1,239	-3,209	41,133	
1977.....	81,982	78,710	513	228	2,531	87,254	84,576	92	1,379	1,208	-5,272	35,861	
1978.....	91,904	88,883	526	230	2,264	96,018	92,865	95	1,439	1,618	-4,115	31,746	
1979.....	105,864	103,034	511	164	2,155	107,320	104,283	96	1,483	1,477	-1,456	30,291	
1980.....	119,712	116,711	521	150	2,330	123,550	120,512	86	1,522	1,430	-3,838	26,453	
1981.....	142,438	139,364	703	140	2,231	144,352	140,996	(9)	1,742	1,614	-1,914	24,539	
Estimated future experience:													
Alternative II-A:													
1982.....	*152,976	149,528	716	139	1,814	160,287	156,135	167	1,984	2,001	-7,311	17,228	
1983.....	165,754	163,924	727	125	978	174,633	170,175	12	2,232	2,214	-8,879	8,349	
1984.....	178,896	178,195	735	109	-143	188,942	184,268	14	2,276	2,384	-10,046	-1,697	
1985.....	205,535	205,329	743	92	-629	203,146	198,273	12	2,383	2,479	2,389	691	
1986.....	225,099	224,744	521	78	-243	217,743	212,735	10	2,542	2,456	7,357	8,048	
Alternative II-B:													
1982.....	*154,093	146,300	716	139	1,625	160,279	156,127	167	1,984	2,001	-6,186	18,353	
1983.....	163,129	161,969	727	126	308	175,465	170,983	12	2,232	2,238	-12,336	6,017	
1984.....	178,640	178,861	736	108	-1,065	193,282	188,537	14	2,317	2,414	-14,642	-8,624	
1985.....	204,476	205,702	747	92	-2,065	212,518	207,478	12	2,486	2,542	-8,042	-16,667	
1986.....	222,467	224,449	608	78	-2,668	231,387	226,125	10	2,623	2,630	-8,920	-25,567	

*See footnote 1 in Table 20.

*Less than \$500,000.

*Includes \$779 million assumed to be borrowed from the HI Trust Fund under the interfund borrowing provisions.

*Includes \$5,313 million assumed to be borrowed from the HI Trust Fund under the interfund borrowing provisions.

Note: In interpreting the above, reference should be made to the footnotes in Table 19.

The estimates in the tables in this section include the effects of various provisions to which reference has been made in earlier sections—namely, the provisions for (1) reimbursements to the trust funds from the general fund of the Treasury for the costs of granting noncontributory credits for military service and for the costs of monthly payments to certain noninsured persons aged 72 and over and (2) financial interchanges between the Railroad Retirement Account and the trust funds.

Group voluntary coverage arrangements

Social Security coverage for employees of State and local governments is available on a group voluntary basis through agreements between the Secretary of Health and Human Services and the individual States. After coverage of the employees of a State or local government employer has been in effect for at least 5 years, the State may give notice of its intention to terminate the coverage of such employees. The termination of coverage becomes effective at the end of any specified calendar year, as long as at least 2 years have passed after such notice is given. The State may withdraw the notice of termination before it becomes effective. However, once the termination becomes effective, it is irrevocable and the same group cannot be covered under Social Security again.

In the past few years, there has been some increase in the number of terminations of coverage among State and local government employees. The total number of employees becoming covered under new agreements in each year through 1976 was larger than the number of employees for whom coverage was terminated during the year. However, in each of the last 5 years, the number of State and local government employees for whom coverage was terminated was somewhat larger than the number of employees becoming covered under new agreements. Notices have also been given of the intention to terminate coverage on the part of a larger number of State and local government employees in each of the next 2 years than the number of employees becoming covered under new agreements each year. The filing of such a notice does not necessarily mean that coverage will be terminated because, as noted above, the notice may be withdrawn during the period before the termination becomes effective.

The termination of coverage for any large number of State or local government employees would have an adverse effect on the status of the trust funds, especially in the short range. In fiscal year 1981, tax contributions received by the combined OASI and DI Trust Funds for employment by State and local governments amounted to \$13.0 billion, or about 10 percent of total contributions in the year.

Employees of tax-exempt nonprofit organizations may also be covered on a group voluntary basis. Such organizations may terminate coverage under separate rules that operate in somewhat the same way as those for State and local government groups. While complete statistics are not available, it is estimated that during fiscal year 1981 nonprofit employers and their employees paid about \$5 billion in taxes to the OASI and DI Trust Funds. In late 1980 a sharp upward trend began in the number of nonprofit employers, especially hospitals, filing advance notices of termination. Although some of these 2-year notices now on file will be

canceled, the numbers of employees involved are such that more Social Security tax revenue may be lost from nonprofit employers than from State and local government employers because of possible terminations during 1982 and 1983.

The estimates presented in this report do not reflect the effects of (1) future terminations of coverage which may become effective as a result of such notices that have been filed and that are still pending, or that may be filed in the future, or (2) future agreements that would bring additional groups of employees under covered employment.